

Message Text

LIMITED OFFICIAL USE

PAGE 01 LAGOS 06423 081713Z

63

ACTION AF-18

INFO OCT-01 EUR-25 ADP-00 EB-11 COME-00 INT-08 TRSE-00

SCEM-02 L-03 H-03 PM-07 NSC-10 SS-15 RSC-01 CIAE-00

INR-10 NSAE-00 PRS-01 CIEP-02 OMB-01 RSR-01 /119 W

----- 037241

R 081551Z AUG 73

FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 563

INFO AMEMBASSY LONDON

LIMITED OFFICIAL USE LAGOS 6423

E.O. 11652: NA/A

TAGS: ENRG, NI

SUBJECT: NIGERIAN OIL: AVAILABILITY OF CRUDE TO FMG

REF: (A) LAGOS 5664; (B) LAGOS 6193

1. BEGIN SUMMARY: PROSPECTIVE CRUDE OIL BUYERS APPEARING IN LAGOS IN INCREASING NUMBERS. HOWEVER, PRODUCING COMPANIES RESISTING FMG DIRECTIVE TO DELIVERY ROYALTY OIL IN KIND EFFECTIVE OCTOBER 1 AND IN CONTEXT PARTICIPATION AGREEMENTS TRYING TO MAXIMIZE BUY-BACK ARRANGEMENTS. CURRENT BELIEF (OR BETTER READ HOPE) AMONG PRODUCERS HERE IS THAT ALTHOUGH FMG DETERMINED TO ENTER CRUDE MARKETING IT MAY BE YEAR OR MORE BEFORE IT HAS SIGNIFICANT QUANTITIES TO OFFER. END SUMMARY.

2. OVER RECENT WEEKS WE HAVE RECEIVED INCREASING NUMBER OF U.S. FIRMS INTERESTED IN BUYING CRUDE FROM FMG. OUR COLLEAGUES IN OTHER EMBASSIES REPORT SIMILAR EXPERIENCE WITH THEIR FIRMS.

3. RUMORS ABOUND BUT WE HAVE NO RPT NO HARD INFO THAT DEALS HAVE BEEN CONCLUDED. LOCALLY FAVORED RUMORS CURRENTLY CONCENTRATE ON REPORTED DEALS FOR ABOUT 20,000 B/D WITH LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 LAGOS 06423 081713Z

TENNECO AND WITH ONE OR MORE GERMAN GROUPS. WE CANNOT CONFIRM

OR DENY BUT ARE SKEPTICAL.

4. MOST PROSPECTIVE CRUDE BUYERS SEEM CONCERNED NOT SO MUCH OR NOT ONLY WITH IMMEDIATE SALES CONTRACTS. THEIR AIM SEEMS TO BE TO STAKE OUT PLACE IN GROWING QUEUE, AND WE HEAR THAT IN PURSUIT OF THAT AIM THEY ARE OFFERING PRICES CONSIDERABLY IN EXCESS OF CURRENT POSTED PRICES.

5. PRODUCING COMPANIES PREDICTABLY ANNOYED. THEY ALLEGE THAT PROSPECTIVE CRUDE BUYERS OFFERING PRICES THEY KNOW ARE UNREALISTIC AND CAN SAFELY DO SO BECAUSE THEY ALSO KNOW THAT FMG CURRENTLY HAS NO CRUDE AVAILABILITIES. PRODUCERS RESENT PROSPECTIVE BUYERS' OFFER ON GROUNDS THESE REINFORCE FMG BARGAINING POSITION ON PRICE AND BUY-BACK ARRANGEMENTS IN PARTICIPATION NEGOTIATIONS STILL IN PROGRESS WITH GULF AND MOBIL AND PROVIDE INCENTIVE TO FMG TO REOPEN PARTICIPATION AGREEMENT ALREADY CONCLUDED WITH SHELL/BP. MORE IMMEDIATELY, ATTRACTIVE OFFERS THAT PROSPECTIVE BUYERS ARE MAKING SERVE AS STIMULUS TO FMG TO TAKE ROYALTY OIL IN KIND SOONER THAN PRODUCERS WOULD LIKE.

6. AS REPORTED REFTEL (A), FMG ALREADY NOTIFIED PRODUCERS IN JULY THAT IT WISHED TO TAKE ROYALTY OIL IN KIND EFFECTIVE OCTOBER 1. HOWEVER, PRODUCERS CURRENTLY RESISTING THIS DIRECTIVE ON GROUNDS COMPLIANCE WOULD WORK CONSIDERABLE AND UNACCEPTABLE HARDSHIP ON THEM IN LIGHT THEIR OWN COMMITMENTS. PRODUCERS BELIEVE THEY ARE MAKING HEADWAY WITH THIS ARGUMENT. THEY ALSO PROFESS TO BELIEVE THAT FMG HAVING SEOND THOUGHTS ABOUT ITS ABILITY EFFECTIVELY TO ORGANIZE MARKETING (AS OPPOSED TO JUST MAKING SALES) TOTAL OF ROYALTY CRUDE THAT WOULD ACCRUE TO IT IF IT COMPELLED COMPLIANCE WITH JULY DIRECTIVE.

7. WE DO NOT HAVE DETAILS ABOUT PARTICIPATION CRUDE THAT WILL BE AVAILABLE TO FMG UNDER SHELL/BP AGREEMENT. HOWEVER, REPORTS CURRENT HERE ARE THAT FOR NEXT YEAR AT LEAST QUANTITIES ARE SMALL. FIGURE WE HAVE HEARD ON RUMOR CURCIUT IS LESS THAN 20,000 B/D. AS NOTED REFTEL (B), PARTICIPATION AGREEMENTS WITH GULF AND MOBIL STILL UNDER NEGOTIATION; COMPANIES DETERMINED TO MAXIMIZE BUY-BACK ARRANGEMENTS ALTHOUGH FMG LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 LAGOS 06423 081713Z

REPORTEDLY INSISTING ON HIGHER SHARE TO ITSELF THAN IN SHELL/BP AGREEMENT. WE UNDERSTAND FMG ALSO IN DISCUSSION WITH PHILLIPS/ AGIP AND SAFRAP ABOUT OCTOBER DELIVERY ITS CRUDE ENTITLEMENT UNDER THOSE PARTICIPATION AGREEMENTS. WE DO NOT HAVE DETAILS BUT QUANTITIES REPORTEDLY IN 20,000 B/D RANGE; COMPANIES ALSO RESISTING.

8. PRODUCERS ACCEPT THAT FMG AND/OR NIGERIAN NATIONAL OIL

COMPANY DETERMINED TO ENTER CRUDE MARKETING, BUT THEY SEEM TO BELIEVE THAT IN SHORT RUN OF YEAR OR SO AT LEAST, FMG CAN BE PERSUADED TO HOLD OFF ON ITS JULY DEMANDS FOR ROYALTY CRUDE AND THAT BULK OF PARTICIPATION CRUDE WILL REMAIN AVAILABLE TO PRODUCERS UNDER BUY-BACK ARRANGEMENTS. THEY COUNT IN VHRT ON FMG/NNOC INEXPERIENCE IN MARKETING.

9. NATIONAL NIGERIAN OIL COMPANY (NNOC) IN EFFORT ESTABLISH CRUDE MARKETING CAPABILITY HAS JUST ANNOUNCED APPOINTMENT OF W.O. UWAMU, FORMERLY IN PETROLEUM DIVISION OF MINISTRY OF FINANCE, AS DIRECTOR OF CRUDE SALES. APPEARS THAT POLICY RESPONSIBILITY WITHIN FMG WILL REMAIN WITH MINISTRY OF MINES AND POWER (WHOSE PERMANENT SECRETARY, P. ASIODU, IS ALSO CHAIRMAN NNOC) AND THAT OPERATIONAL RESPONSIBILITY WILL REST WITH NNOC.

10. COMMENT: WE HAVE NO RELIABLE ESTIMATE OF PROBABLE CRUDE AVAILABILITIES ACCRUING TO FMG NOR OF FMG'S INTENTIONS. REGARDLESS OF INEXPERIENCE, HOWEVER, FMG SHOWS EVERY SIGN OF INTENTION TO EMERGE SOON AS SELLER OF ITS OWN CRUDE EVEN IF IN LIMITED QUANTITIES THAT COMPANIES BELIEVE WILL BE AVAILABLE. REINHARDT

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 08 AUG 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973LAGOS06423
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: LAGOS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19730851/aaaablkj.tel
Line Count: 137
Locator: TEXT ON-LINE
Office: ACTION AF
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 73 (A) LAGOS 5664; (B) LAGOS 6193
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 10 JAN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10-Jan-2002 by martinjw>; APPROVED <31-Jan-2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: NIGERIAN OIL: AVAILABILITY OF CRUDE TO FMG
TAGS: ENRG, NI
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005